

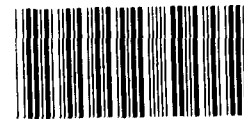
GAO

United States General Accounting Office **129302**
Report to the Secretary of Health and
Human Services

March 1986

SOCIAL SECURITY:

**Pension Data Useful
for Detecting
Supplemental Security
Payment Errors**



129302

**Human Resources Division
B-221797**

March 12, 1986

The Honorable Otis R. Bowen, M.D.
The Secretary of Health and Human Services

Dear Mr. Secretary:

We evaluated the Social Security Administration's (SSA's) computerized employment pension income data base¹ for its potential usefulness in detecting payment errors in the Supplemental Security Income (SSI) program. As you are aware, under title XVI of the Social Security Act, pension income must be reported by SSI recipients and, above a certain allowable limit, reduces the amount of their monthly SSI payment. We matched the 1983 pension file with a random sample of SSI case records for December 1983. We found overpayment errors—due to unreported or underreported pension income—in about 18 percent (62) of the sample SSI cases (346) receiving pension income.

Based on our sample results, we estimated that

- in December 1983, 35,112 SSI cases also received pension income and
- in that month alone, 6,292 of those cases were overpaid SSI benefits.

Based on data provided by SSA for our sample cases, we also estimated that

- in December 1983, these 6,292 cases were overpaid \$427,000 in SSI benefits and
- these cases have accumulated overpayments totaling \$17.2 million, some occurring over about a 10-year period preceding 1984.

We undertook this computer match as a pilot project because (1) SSA had no immediate plans to do so and (2) our ongoing work indicated that an evaluation of the W-2P file could be both useful and timely for detecting SSI payment errors. To determine the accuracy of pension amounts being used in computing SSI benefits, we compared the pension amounts in a random sample of about 39,000 recipient records with the amounts reported on W-2Ps by pension payers. As agreed with SSA, we referred all potential overpayment cases to SSA for investigation and final resolution. SSA is attempting to collect the overpayments identified in our sample that were verified through its field investigations.

¹Composed of data reported by pension payers to SSA on Internal Revenue Service (IRS) form W-2P.

Our evaluation was made in accordance with generally accepted government auditing standards, with the following exceptions. Because it was beyond the scope of our evaluation, we did not assess SSA's internal controls over its computer-based data systems or its administrative internal controls; determine the cause of the erroneous payments, although we did conclude that the SSI benefit application form was adequate for collecting pension data from applicants; or assess SSA's policies and procedures for recovering overpayments.

While acquiring data, performing the computer match, and refining cases, we complied with applicable privacy laws and regulations regarding access to and safeguarding of confidential tax information. Our objective, scope, and methodology are detailed in appendix I.

Background

The SSI program, administered by SSA, provided about \$9.5 billion in federal and state funds to about 3.9 million needy aged, blind, and disabled persons in 1983. Because program benefits are based on financial need, payments are reduced by a recipient's income, above an allowable limit, including income from employment-based pensions.

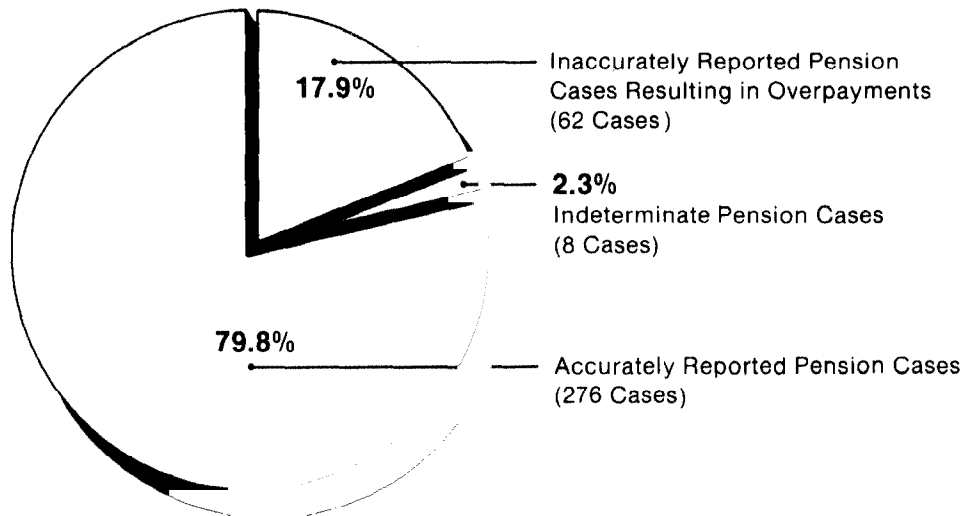
Annually, SSA receives and processes data on employment pension income, which is in turn provided to IRS for tax enforcement purposes. This income is reported by pension payers to SSA on IRS form W-2P (Statement for Recipients of Annuities, Pensions, Retired Pay, or IRA [Individual Retirement Account] Payments). Before the enactment of the Deficit Reduction Act of 1984 (DEFRA), these data could not be used by SSA to verify the accuracy of pension income data voluntarily reported by recipients and used in calculating SSI benefits. Under DEFRA, however, SSA is authorized to access and use W-2P data to establish or verify eligibility or benefit amounts for the SSI program.

DEFRA also requires SSA, on request, to share the data with federal, state, and local agencies administering certain other programs, such as Aid to Families with Dependent Children, Food Stamp, and Medicaid. DEFRA recognizes, however, the need for all agencies using the data, including SSA, to protect the privacy and confidentiality of the data and provide due process protections to all affected individuals.

Results of GAO's Computer Match and SSA's Case Resolutions

We determined that in December 1983, 346 of the sample cases were receiving pensions and that in 84 of these cases, SSA appeared to have inaccurate pension amounts in its records (see app. I for our computer matching methodology). We referred the 84 cases to SSA for investigation. SSA found that pension amounts were inaccurately reported in 62 cases, pension amounts were properly reported in 14 cases, and a conclusive determination could not be made in 8 cases. Figure 1 depicts the accuracy of pension amounts recorded in the SSI recipients' files.

Figure 1: SSI Recipients Receiving Pension Payments (346 Cases)



As figure 1 shows, in 62 (or 17.9 percent) of the 346 cases, pensions were inaccurately reported. This resulted in SSI overpayments totaling \$4,210 for the sample cases for December 1983. In 276 (or 79.8 percent) of the cases, pensions were accurately reported and SSI payments accurately computed. In 8 (or 2.3 percent) of the cases, SSA could not develop sufficient facts to determine conclusively whether overpayments were occurring. As of November 1985, SSA's investigative work was still underway.

Estimated Overpayments Based on Sample Results

We estimate, based on our sample results, that in December 1983, 35,112 SSI cases² received pension income. We estimate that, in that month alone, 6,292 cases were overpaid a total of \$427,200 because their benefit payments were computed using incorrect pension income information. At a 95-percent level of statistical confidence, the number of SSI cases receiving unreported or underreported pension income could range from 4,915 to 8,053, and the monthly overpayment amount could range from \$266,400 to \$588,000 (see app. II).

In addition, SSA provided data showing that many of the cases we identified involved pension-related overpayments that had been occurring for extended periods, some exceeding 10 years. The SSA data showed that the 62 overpayment cases in our December 1983 sample had accumulated about \$170,000 in overpayments.³ Based on SSA's data, we estimate that accumulated overpayments for such SSI cases in the program in December 1983 could total \$17.2 million.⁴ Although we did not attempt to estimate how much of such an amount might be subject to recovery, SSA is pursuing collection of overpayments identified in our sample cases that were verified through its investigations. SSA has agreed to report its results to us as final figures are developed.

At our request, SSA's Office of Systems Requirements estimated the cost to conduct the same computer match on an SSI program-wide, national scale—\$18,000—and to conduct subsequent periodic matches—\$2,000 each. These estimates, which are preliminary and subject to SSA's further review and refinement, included the costs of computer programming and conducting the matches. They did not include the costs of field investigations and other case resolution activities following the matches. In addition, there are other not-readily-quantifiable costs that bear on the match—such as the possible effects on client privacy—as well as benefits—such as the possible deterrent effects of enforcement.

Conclusions

SSA's employment pension file is an effective data source for detecting potentially erroneous benefit payments in the SSI program, and SSA has authority under DEFRA to use this file for this purpose. By computer-

²At a 95-percent level of statistical confidence, the number of SSI recipients receiving pension income could range from 31,631 to 38,972.

³In some cases, we recalculated the amounts to properly reflect the entire period of overpayment.

⁴At a 95-percent confidence level, the number of SSI recipients who accumulated overpayments could range from 4,915 to 8,053. The total accumulated overpayments could range from \$10.3 million to \$24.2 million.

matching this file with the SSI benefit file and by following up on the match results, SSA can purge the program of ineligible recipients and adjust erroneous benefit payments, thereby reducing SSI program costs.

Recommendations

We recommend that you direct the Acting Commissioner of Social Security to (1) perform a computer match patterned after our pilot test—and consider subsequent periodic matches—of the entire SSI benefit file and the W-2P pension file to identify potential overpayment cases; (2) investigate and resolve, in accordance with existing agency policies and procedures, the cases identified; (3) comply with all applicable privacy and due process regulations; and (4) attempt to determine what caused the payment errors and whether corrective actions can be taken to prevent their recurrence.

Agency Comments

In commenting on a draft of this report (see app. III), SSA agreed with our recommendations and said it was evaluating the best way to coordinate the W-2P earnings enforcement operation with its annual redetermination of SSI eligibility. SSA's preliminary target date for starting this operation is October 1986. Regarding subsequent periodic computer matches, SSA said it was examining alternatives for a continuing W-2P enforcement operation and, if feasible, will implement the most preferable option.

As you know, 31 U.S.C. 720 requires the head of a federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

Copies of this report are being sent to cognizant congressional committees, the Director of the Office of Management and Budget, the Acting Commissioner of Social Security, and other interested parties.

Sincerely yours,



Richard L. Fogel
Director

Objective, Scope, and Methodology

Our objective was to evaluate SSA's W-2P pension data base to determine its potential as a data source in detecting inaccurate pension income being used in calculating SSI benefit payments.

Our evaluation was based on a computer match of two automated files. One contained reports of pensions paid (W-2P) during calendar year 1983; the other, a random 1-percent sample of SSI cases in current benefit payment status during December 1983. The W-2P file contained about 16 million records,¹ and the SSI 1-percent sample file contained 38,446 active records. Our evaluation was made in accordance with generally accepted government auditing standards, with the following exceptions: Because we did not consider it pertinent to our evaluation, we did not assess SSA's internal controls over its computer-based data systems or its administrative internal controls. Also, although we did not seek to determine the causes or collectibility of the erroneous payments identified, we did review the SSI benefit application form for its adequacy to collect pension data from applicants. Our work was performed between April 1984 and August 1985 at SSA headquarters.

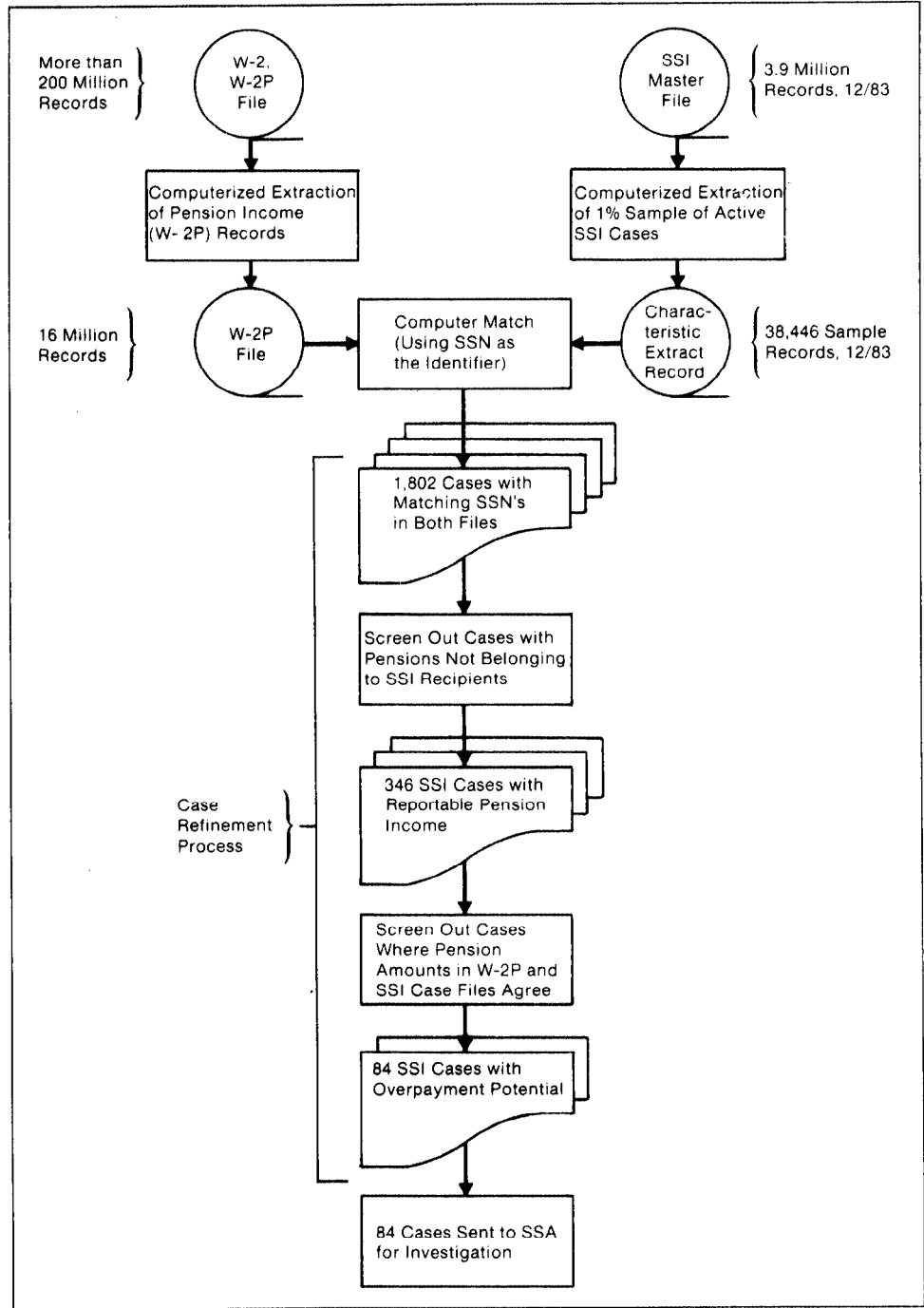
The Computer Matching Process

Figure I.1 illustrates our computer matching process, which began when we obtained the SSA files containing all pertinent data. The 1983 W-2P records were housed in a composite computerized file, which also contained 200 million W-2 earnings records.² We extracted all W-2P records then in this composite file (about 16 million) and created a separate file of 1983 W-2P pension payment records. A second computerized file, known as the Characteristic Extract Record (CER), was also obtained from SSA. This file represented a 1-percent random sample of active recipient records for December 1983. This file was usable for our purposes in its original form.

¹This represented all of the W-2P records available as of the date of our match run. After our match, another 1.3 million W-2P records for 1983 were processed by SSA and added to the data base.

²W-2 earnings records represent earned income from employment, as reported to SSA on IRS form W-2, Wage and Tax Statement.

Figure I.1: GAO Computer Match Process



In our match we compared social security numbers (SSNs) appearing in the CER with SSNs associated with records in the W-2P file to produce a list of matched cases. For each matched pair produced, we printed out the following selected data elements from the CER, which we considered essential to resolving payment questions.

1. Identifier:

- “Housed-under” SSN
- The SSN (the applicant/recipient identifier)
- The SSN under which reported unearned income was received

2. Applicant name, address, and ZIP code

3. Transaction code/master file type code

4. Living arrangement code

5. Date of current eligibility

6. Federal payment amount (total federal payment for the month)

7. State supplemental amount

8. Payment status

9. Chargeable earned income amount

10. Earned income:

- Type
- Amount
- Frequency
- Start date

11. Chargeable unearned income amount

12. Unearned income:

- Type
- Amount
- Frequency
- Start date

These data elements enabled us to calculate the correct January 1984 SSI payment based on the December 1983 data base. We selected December 1983 because SSI beneficiary records are retained on the CER for 12 months after going into nonpayment status. Thus, we were able to capture the SSI records for all payment status changes during 1983 corresponding to the time frame of pension payments recorded in the 1983 W-2P file, although we selected for review only the cases in current benefit payment status. For each pension record matching a CER record, we printed out all the data elements in the W-2P record.

Using the data contained in the above printouts, we isolated potential instances of unreported/underreported pensions.³

Refinement of Matched Cases

The computer match generated 1,802 cases for which the same social security number existed in both the CER file and the W-2P file. By scanning the matched data, we isolated 346 cases in which both SSI benefits and pension income were paid to SSI recipients. From this base we isolated 84 instances in which SSI benefits were paid, but the pension income used in the payment calculation was different from that reported on the W-2P. Before turning these potential overpayment cases over to SSA for investigation and resolution, we also accessed independent data bases at SSA (i.e., current SSI records, current social security benefit records, earnings files, and number identification files) and validated the identification of the persons involved and the accuracy of selected computerized data being used in the SSI benefit computation.

Through a prior arrangement, we referred the 84 Potential overpayment cases to SSA along with information and documentation to facilitate SSA case investigations, using its existing procedures. We also obtained agreement with SSA on the types of feedback we needed on the case investigation results and on when we needed it. We did not request that SSA determine the causes of the payment errors identified during its investigations.

While acquiring data, performing the computer match, and refining cases, we complied with applicable privacy laws and the regulations regarding the safeguarding of confidential tax information.

³Our match contained no instances in which the pension amount reported under the SSI program was greater than that recorded in the W-2P files as received.

Projections of Effect of Identified Errors, Accumulated Overpayments, and Number of SSI Recipients Receiving Pension Income

For the tables in this appendix, the intervals were computed at a 95-percent level of statistical confidence.

Table II.1: Projected Effect of Identified Errors on December 1983 SSI Payments

Category	Sample	Projected estimate	Confidence interval	
			Lower limit	Upper limit
Error frequency				
Not reported	61	6,190	4,826	7,939
Underreported	1	102	18	571
Overreported	0	0	0	386
Total	62	6,292	4,915	8,053
Overpayments				
Not reported	\$4,160	\$422,117	\$261,638	\$582,596
Underreported	50	5,074	50	14,970
Overreported	0	0	0	0
Total	\$4,210	\$427,191	266,408	587,974

Table II.2: Projected Accumulated Overpayments

Sample	Projected estimate	Confidence interval	
		Lower limit	Upper limit
\$169,896	\$17,241,060	\$10,295,343	\$24,186,777

Table II.3: Projected Number of SSI Recipients Receiving Pension Income

Sample	Projected estimate	Confidence interval	
		Lower limit	Upper limit
346	35,112	31,631	38,972

Advance Comments From the Department of Health and Human Services



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

Page 24

Mr. Richard L. Fogel
Director, Human Resources
Division
United States General
Accounting Office
Washington, D.C. 20548

Dear Mr. Fogel:

The Secretary asked that I respond to your request for the Department's comments on your draft report, "SSA Pension Income Data Is Useful for Detecting SSI Payment Errors." The enclosed comments represent the tentative position of the Department and are subject to reevaluation when the final version of this report is received.

We appreciate the opportunity to comment on this draft report before its publication.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "R. Kusserow".

Richard P. Kusserow
Inspector General

Enclosure

SOCIAL SECURITY ADMINISTRATION COMMENTS ON THE GENERAL ACCOUNTING OFFICE
DRAFT REPORT, "SSA PENSION INCOME DATA IS USEFUL FOR DETECTING SUPPLEMENTAL
SECURITY INCOME PAYMENT ERRORS"

General Accounting Office (GAO) Recommendation

That the Secretary direct the Acting Commissioner of Social Security to (1) perform a computer match patterned after our pilot test--and consider subsequent periodic matches--of the entire Supplemental Security Income (SSI) benefit file and the W-2P pension file to identify potential overpayment cases; (2) investigate and resolve, in accordance with existing agency policies and procedures, those cases identified; (3) comply with all applicable privacy and due process regulations; and (4) attempt to determine the causes of the payment errors and whether corrective actions can be taken to avoid their recurrence.

Social Security Administration (SSA) Comments

We agree. We are evaluating the best way to coordinate this earnings enforcement operation with our annual redeterminations of SSI eligibility. Investigation and resolution of overpayments are integral parts of the SSI redetermination process, and we will determine the causes of the payment errors and whether corrective actions can be taken to avoid their recurrence as part of our ongoing analysis of each year's redeterminations.

Our preliminary target date for starting W-2P enforcement operations is October 1986. However, this target date is subject to several variables and may require adjustment. As for subsequent periodic matches, we are examining alternatives for a continuing W-2P enforcement operation and, if feasible, will implement the most preferable option. We will of course comply with all applicable privacy and due process regulations.

Requests for copies of GAO reports should be sent to:

U.S. General Accounting Office
Post Office Box 6015
Gaithersburg, Maryland 20877

Telephone 202-275-6241

The first five copies of each report are free. Additional copies are \$2.00 each.

There is a 25% discount on orders for 100 or more copies mailed to a single address.

Orders must be prepaid by cash or by check or money order made out to the Superintendent of Documents.

33770

United States
General Accounting Office
Washington, D.C. 20548

Bulk Rate
Postage & Fees Paid
GAO
Permit No. G100

Official Business
Penalty for Private Use \$300